

In the Matter of)	No. G 97 - 58
)	
The Financial Examination of)	FINDINGS, CONCLUSIONS,
NORTH COAST LIFE INSURANCE)	AND ORDER ADOPTING REPORT
COMPANY,)	OF EXAMINATION
A Domestic Insurer. _____		

BACKGROUND

An examination of the financial condition of **NORTH COAST LIFE INSURANCE COMPANY** (the Company) as of December 31, 1995, was conducted by examiners of the Washington state Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of authority as a stock insurer. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, instructions and comments and recommendations was transmitted to the Company for its comments on September 29, 1997.

The Commissioner or a designee has considered the report, the relevant portions of the examiner's work papers, and submissions by the Company. The Company's response to the report is attached to this order only for the purpose of providing convenient review of the response.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 8 through 31 of the report.

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **NORTH COAST LIFE INSURANCE COMPANY** and to order the company to take the actions described in the Instructions and Comments and Recommendations sections of the report. The Commissioner acknowledges that the Company has implemented some of the Instructions and Comments and Recommendations prior to the date of this order. The instructions and comments and recommendations in the report are appropriate responses to the matters found in the examination.

ORDER

The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, these being the Instructions and Comments and Recommendations contained in the examination report on pages 3 through 7:

1. The Company is instructed to file its financial statements in compliance with NAIC Annual Statement Instructions as noted in Instruction (1) of the examination report.
2. The Company is instructed to report all changes and corrections in all future financial statements in accordance with statutory and GAAP guidelines, as noted in Instruction (2) of the examination report.
3. The Company is instructed to revise its method of amortization to use the shorter of the call date or maturity date of bonds pursuant to RCW 48.12.170, as noted in Instruction (3) of the examination report.
4. The Company is instructed to revise its custodial agreements to provide for its indemnification for lost securities to comply with NAIC guidelines, RCW 48.05.210, and WAC 284-07-050, as noted in Instruction (3) of the examination report.
5. The Company is instructed to draft agreements documenting all services rendered between its affiliates and the reimbursement method for those services, as noted in Instruction (4) of the examination report.
6. The Company is instructed to file with the Commissioner all agreements between the Company and its affiliates sixty days prior to implementation of the agreements as required by RCW 48.31B.030(1)(b)(v), as noted in Instruction (4) of the examination report.
7. The Company is instructed to obtain board approval for all future investment acquisitions in accordance with RCW 48.13.340, as noted in Instruction (5) of the

examination report.

8. The Company is instructed to: (1) segregate fees paid to holding company affiliates for servicing mortgage loans for fees paid for acquisition and underwriting; (2) capitalize acquisition and underwriting fees at the time of purchase; and (3) review its agreement with affiliates for such fees and determine that the fees are fair and reasonable in relation to services performed, as noted in Instruction (6) of the examination report.

9. The Company is instructed to comply with RCW 48.23.300 concerning the accrual and payment of interest on death benefits for all future death benefit settlements, so noted in Instruction (8) of the examination report.

10. It is recommended that the Company: (1) review all automatic policy loans to verify policyholder authorization; (2) contact policyholders for loan authorization, if the authorization is not currently in place; and (3) establish controls that require policyholder authorization before automatic policy loans are made and to use the default non-forfeiture provision for policies without policyholder loan authorization, as noted in Comment and Recommendation (1) of the examination report.

11. It is recommended that the Company include in its complaint log direct written consumer complaints as well as insurance department inquiries, as noted in Comment and Recommendation (2) of the examination report.

12. The Company's offer to make supplemental financial statements, as noted in Comment and Recommendation (4) of the examination report, is accepted and the Company should make timely filings of those supplemental financial statements.

13. It is recommended that the Company consider implementing the EDP enhancements noted in Comment and Recommendation (5) of the examination report.

ENTERED at Lacey, Washington, this 31st day of December, 1997.

DEBORAH SENN
Insurance Commissioner

By:
JAMES T. ODIORNE, CPA, JD
Deputy Insurance Commissioner
Company Supervision Division